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A Big Push to World-Class Tourism: Strategic Analysis & Opportunities

INSYMA
INSTRUMENTS

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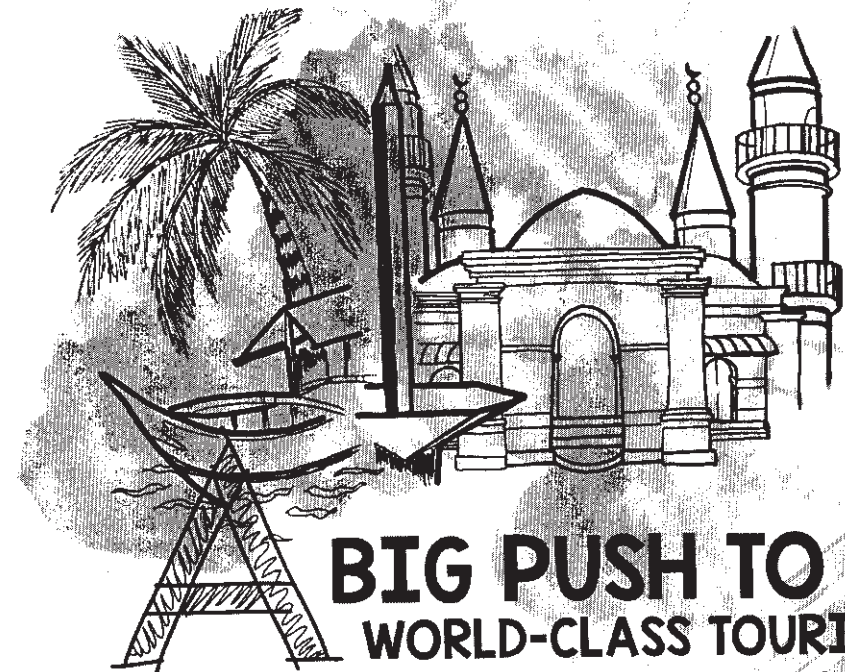
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14th INSYMA
International Annual
Symposium on
Managing Assets



BIG PUSH TO WORLD-CLASS TOURISM: Strategic Analysis & Opportunities

Proceeding 14th International Annual Symposium on Management
Tanjung Pinang, Riau Islands, Indonesia | March 3rd - 4th, 2017

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Management**

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& OPPORTUNITIES**

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Management**

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FOREWORD

We are delighted to welcome you to 14th International Symposium on Management (INSYMA) Tanjung Pinang, Riau, Indonesia. The high quality of the papers and the discussion represent the thinking and experience of researchers, academics and practitioners in the particular fields. Their contributions helped to make the conference as outstanding as it has been.

This proceeding is a compilation of papers submitted for the 14th International Symposium on Management (INSYMA) conducted by the Department of Management, the Faculty of Business and Economics, University of Surabaya (UBAYA) themed “**A BIG PUSH TO WORLD-CLASS TOURISM: STRATEGIC ANALYSIS AND OPPORTUNITIES**”. The conference organizers have put together both the latest research and provide an opportunity to make friendship and new acquaintances.

The 14th INSYMA is a means for participants consisting of researchers, academics and practitioners to have a discussion forum. The event is expected to enable participants in sharing initiatives, ideas and efforts from the results of research and discussion concerning how to create a Big Push in a strategy to deal with all the challenges and find opportunities in the tourism industry of each country to be a world-class tourism.

In this opportunity, we would like to say that we are greatly honored by all presenters and participants' presence both from Indonesia and from other country. We would like to share our grateful to the Sponsorship and partnership in this 14th INSYMA. This theme represents strategic analysis and opportunities of implementation that will extend far beyond the sector, as tourism enhances province's reputation as a premier destination to visit, invest, work-live, and integration with the global community. The strength of tourism destination product will be counted and will continue to find ways how economic integration in tourism

sector can achieve the sustainability of: growth of economic, prosperity and welfare to all countries.

Finally, we would like to thank the researchers for their willingness to share their research and ideas. Without their efforts, this proceeding would not possible. The committees and editors deserve special thanks for their outstanding effort in reviewing and preparing the event and manuscripts for publication. We hope that this compilation of papers can enrich our perspective in Tourism strategic analysis and opportunities.

Tanjung Pinang, March 3rd, 2017
Prita Ayu Kusumawardhany
Chairwoman of 14th INSYMA

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DEVELOPMENT OF TOURISM AND CREATIVE ECONOMY IN INDONESIA

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Abstract

Tourism and creative economy in Indonesia can develop properly if there is a good synergy among all stakeholders to contribute to GDP, employment, and foreign exchange reserves. Telecommunication networks and e-tourism support is necessary for tourism marketing and electronic ticketing. Tour operators in the country, direct flights, visa-free, and the organization of MICE in the tourist destinations are very effective to attract foreigners who travel on business and have a very large multiplier to boost tourism and creative economy in Indonesia.

Keywords: Tourism - Creative Economy - e-tourism - Tour Operators - MICE

1. Introduction

Indonesia has a number of domestic economic potential that could be developed in various sectors, such as tourism which has a thrust on economic growth to remain above 5% per year in the midst of uncertainty of global economic condition. World Tour and Travel Council (2016) suggested that tourism sector in Indonesia contributed 9.8% to Gross Domestic Product. And the Central Bureau of Statistics (2016) explained that the tourism sector contributed 4% to Gross Domestic Product.

Table 1. Indonesia's Tourist Trips

Year	Domestic Tourist Trips (x million people)	Average Expenditure of Domestic Tourist Trips (IDR x thousand)
2011	236.75	679.58
2012	245.29	704.68
2013	250.04	711.26
2014	251.20	851.68
2015	255.05	880.94

Source: Ministry of Tourism and Creative Economy, 2016.

The number of domestic tourist trips in 2011 was 236.75 million, and 255.05 million in 2015, representing an increase of 1.93% on average in the last 5 years. The amount of domestic tourist spending in 2011 was IDR 679.58 thousand on average, and IDR 880.94

thousand in 2015. Foreign tourist arrivals to Indonesia in January - October 2016 reached 9.4 million, and this number is higher 9.54 % than the number of arrivals in January-October 2015 as many as 8.78 million. Foreign tourist arrival from China has shifted the position of Australia in three major foreign tourists visiting Indonesia. In January-April 2015, the tourist arrivals from Great China were recorded 483,632 people, and in the period of January-April 2016, the number of arrivals increased by 562,328 people.

The occupancy rate of star-rated hotels in 27 provinces in October 2016 was 56.13% on average, and the average stay of foreign guests at star-rated hotels in 27 provinces in October 2016 was 1.81 days. Approximately 12.43% of foreign tourists who visited Indonesia in October 2016 came from China. Various predictions are optimistic that Indonesia could achieve 12 million foreign tourist arrivals in 2016 because there would be many tourists who enjoy year-end holidays in Bali, Yogyakarta, Lombok, and other destinations. The enthusiasm of tourists from Great China that includes China, Taiwan and Hong Kong to visit Indonesia could be seen since 2015. Most of the Chinese tourists came to Indonesia to seek for marine tourism, such as Kuta Bali and Manado.

Indonesia has a big opportunity to boost its tourism, because in this current year (2016) Asia is becoming a region of the world tourist destination. About 300 million tourists have come to Asia, a third or 100 million of them visited Southeast Asia, particularly Singapore, Thailand, Malaysia, and Indonesia. Airlines in Indonesia are trying to add the new routes to boost the number of Chinese travelers, such as from Shanghai to Tanjung Pinang, and opening direct flights from Jakarta to Banyuwangi.

The tourism objects in Indonesia are actually more interesting than those in Singapore, Thailand, and Malaysia. For example, Raja Ampat, the icon of West Papua tourism, is exotic and amazing. However, visiting the tourist sites in the eastern part of Indonesia takes time and enormous costs, such as for airline tickets, hotel, and rental boats. The rental price of the boat from Waisai to Raja Ampat is ranging from IDR 14 to 21 million; with the length of round trip on the boat from 6 to 10 hours, depending on the type of boat. Thus, the lack of infrastructure makes Indonesia less competitive in attracting tourists, in addition to other factors, such as hygiene, safety, environmental support to business, and governance issues.

Tourism can grow well, if it is supported by the creative economy. Tourism, without 16 sub-sectors of creative industries, will expose the beauty of scenery only. There is no food, dance, music, fashion, crafts, and others. Central Bureau of Statistics (BPS) data show that the amount of the Gross Domestic Product 2010-2015 for the creative economy increased from IDR 525.96 trillion to IDR 852.24 trillion, or an increase of 12.41%. In the same period, the labor sector of the creative economy grew by 2.15% per year, and the export of creative economy commodity increased by 6.6% in 2015 compared with 2014. The President hopes that the creative economy is capable of contributing 6.75%, with the absorption of workforce of 17 million people as well as creative products export value reaching US \$ 21.5 billion in 2019.

Indonesia seems to have been left behind in developing tourism and creative economy when compared to other states in the same region. Awareness to develop tourism sector and creative economy is indeed late, and only in the last four years Indonesia realized that tourism had a strategic role in the economy, especially during the global economic decline. Singapore, Malaysia, and Thailand have been growing faster since a few decades ago.

2. Literature Review

Indonesia is an archipelago that consists of thousands of islands spreading from Sabang to Merauke, and flanked by two oceans, Indonesian Ocean and the Pacific Ocean with the natural beauty and cultural heritage that have existed for hundreds of years, such as Prambanan, Borobudur, Toraja houses, and Javanese, Balinese and Sundanese dances.

Creative industries can provide a very broad role in improving the image of tourism. Science-based creativity, such as design, dance and song, is directly in contact with the science of marketing, such as promotions, imaging, branding, that is able to manage marketing strategy from the consumer's emotional approach. Similarly, the utilization of the creative potential can bring up the courage to market national products with their own brands, both in domestic and foreign markets [1].

Creative economy has the power to lift the local cultural heritage in a new context, and the tourists are expected to gain new experiences they can bring homes, and then they disseminate the experiences through stories from word of mouth about the unique urban planning, traditional ceremonies, hotel architecture, culinary variety, souvenirs, and others [1]. This shows that tourism and creative economy have mutual relations and ability to contribute to the Gross Domestic Product, national or local economic growth, per capita income, employment absorption, and foreign exchange earnings.

The direction of the change in civilization wave and economic life of mankind has shifted in sequence from the first wave in which the orbit is in the agricultural economy to the fourth wave in which the orbit is in the creative economy and tourism [1].

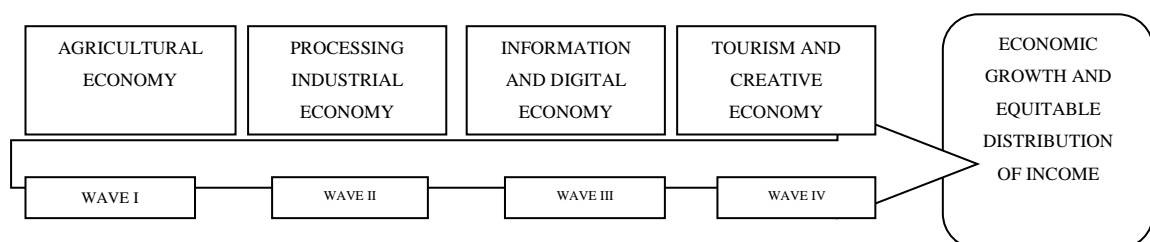


Figure 1. The Shift Wave in Economic Orientation

Source: [1], Researchers, 2016

The shift wave in economic orientation reflects the level of progress of civilization and human life in each era. Indonesia's economic development really needs comprehensive, unique, and specific planning, given the fourth wave of economic orientation is still going on until today, but inequality in income distribution and between regions still occurs. The development of tourism and creative economy has a reciprocal relationship and ability to contribute to spur economic growth and achieve equitable distribution of income.

Creative individuals in the creative strata are involved in the work that has a function to create a new form and has a meaning [2]. Individual activity often leads to the birth of innovation and commercial value [3,4]. Innovation is the activity of exploitation of new ideas, and creativity is a supplier of ideas that will be implemented by innovation [1].

3. Research Method

Research on the development of tourism and creative economy is included in the category of qualitative descriptive. This research uses primary data derived from interviews with stakeholders and observation of tourism objects managed by community in East Java, Yogyakarta and Central Java. Furthermore, secondary data are obtained from the Ministry of Tourism and Creative Economy of the Republic of Indonesia and daily Kompas. The collected data are compiled and analyzed descriptively and in tabular presentation. Reduction results are presented in the form of narrative texts and interpreted in order to obtain conclusions. Data collection technique is conducted in triangulation and data analysis is inductive which emphasis more on meaning rather than generalization.

4. Research Findings

It should be noted that tourism does not only serve as a contributor of Gross Domestic Product, but also as a foreign exchange earner and stability guard of Indonesian currency against foreign currencies. Tourism development cannot be separated from the four major aspects of industry support, namely the environmental aspects of the support of business, governance, natural and artificial types of tourism potential and infrastructures that support tourism.

The results of calculation of tourism index are intended to make the regional government understand the competitiveness and readiness of the region in the tourism sector to become an engine of growth of local and national economies in order to achieve the target of 15 million foreign tourists in 2017, and 20 million foreign tourists in 2019. Tourism should be encouraged to be able to cover the gap left by the oil, gas and coal sectors which in turn can increase the contribution of tourism and creative economy to the Gross Domestic Product.

The government has prioritized 10 tourist destinations in Indonesia with the aim that the economic growth can be more evenly distributed, and the tourists will have alternatives to enjoy vacation in Indonesia, not to accumulate in Bali and Yogyakarta only.

The development of tourist destinations will make the area open and grow, such as the opening of Silangit Airport with scheduled flights from several airlines which is proven to increase the number of visitors to Lake Toba, North Sumatra. Garuda flight occupancy rate to Silangit Airport has reached 70%. Lion Group already has flight routes to almost all destinations developed by the government, such as the Labuan Bajo in East Nusa Tenggara, and Wakatobi in Southeast Sulawesi. The courage of airlines to open new routes is able to boost the number of domestic and foreign tourists to visit the prioritized tourist destinations which in turn will increase five-star hotel room occupancy rate, including jasmine-rated hotel.

Table 2. Best Tourism Index 2016

No.	Area	Score	Description
1	Denpasar City	3.81	• Indonesian tourism index is conducted in 505 regencies/cities
2	Surabaya City	3.74	

3	Batam City	3.73	referring to the <i>Travel and Tourism Competitive Index</i> that has been adapted to the condition in Indonesia. • Using statistical data to determine the score based on 78 indicators which are grouped into 14 pillars of assessment.
4	Sleman Regency	3.72	
5	Semarang City	3.59	
6	Bandung Regency	3.55	
7	Bandung City	3.39	
8	Banyuwangi Regency	3.33	
9	Bogor Regency	3.27	
10	Bantul Regency	3.22	

Sumber: [6]

Recently there have been some new tourist destinations, with cheap rates, that are managed independently by the community in a number of regions in Indonesia, and could be an alternative for domestic tourists to enjoy vacation or just for refreshing

Table 4 shows some of the community-based tourism objects owned by East Java province and Central Java. The same thing can also be found in Yogyakarta, West Java, West Sumatra, and others. The community-based tourism objects have enormous economic potential if they are managed well and gain the full support from the central government and local governments. Religious tourism “Wali Songo” has proven to boost the grassroots economy by selling food, drinks, and souvenirs.

Batu City, East Java, presents various tourist attractions, and Banyuwangi Regency, East Java, which offers big events and creativities of art and culture has attracted many tourists to visit and spend their vacation in the region. This means that the synergy among stakeholders is necessary for developing tourism in Indonesia.

One of the synergy between the Central Government and Local Government for the development of tourism in Indonesia is by strengthening the broadband network 3G and 4G LTE to present better quality internet data services. The availability of telecommunication networks in e-tourism is very important for businesses in the tourism industry ecosystem, such as hotels, travel agencies, and tourist area manager. E-tourism solutions are needed to manage the tourism industry as a whole, ranging from marketing to electronic ticketing service.

Tabel 3. Priority List of Tourist Destinations in Indonesia

No.	Destination	Average Length of Stay (x days)		Room Occupancy of Star-rated Hotel (x %)	
		2015	2016	2015	2016
1	Lake Toba (North Sumatera)	1.65	1.61	49.85	50.11
2	Tanjung Kelayang (Bangka Belitung)	1.95	1.69	41.97	38.45

3	Kep. Seribu (DKI Jakarta)	1.93	1.86	56.82	59.09
4	Tanjung Lesung (Banten)	2.60	1.65	55.97	51.87
5	Borobudur (Cenral Java)	1.37	1.37	44.85	43.96
6	Bromo, Tengger, Semeru (East Java)	2.08	1.37	60.05	60.63
7	Mandalika (West Nusa Tenggara)	2.06	1.67	51.32	39.44
8	Labuan Bajo (East Nusa Tenggara)	2.06	2.01	49.72	56.71
9	Wakatobi (South East Sulawesi)	1.60	1.70	38.48	36.27
10	Morotoi Island (North Maluku)	2.27	2.02	40.87	38.20

Source: [6]

The existence of tourism operators in the network has helped introduce tourist destinations in the country that have not been known widely. The number of tourist destinations in Indonesia has reached more than 3,000 destinations, but only a few known by the people of Indonesia and the world, like Bali, Lombok, Yogyakarta, Bandung, and Lake Toba. Now, with the growing number of tourism operators that sells services through the Internet makes unknown tourist destinations become popular and to be visited by many tourists, such as Tanjung Kelayang, Mandalika, and Morotai Island.

Tabel 4. Community-based Tourism

No.	Location	Tourist Attraction
1	Sikunir Hill, Wonosobo, Central Tengah	Dieng plateau natural scenery and golden sunrise.
2	Borobudur Tourism Village, Central Java	11 tourism villages around Borobudur temple.
3	Umbul Ponggok, Klaten, Central Java	Crystal clear water springs and bathing pool, popular for taking picture underwater

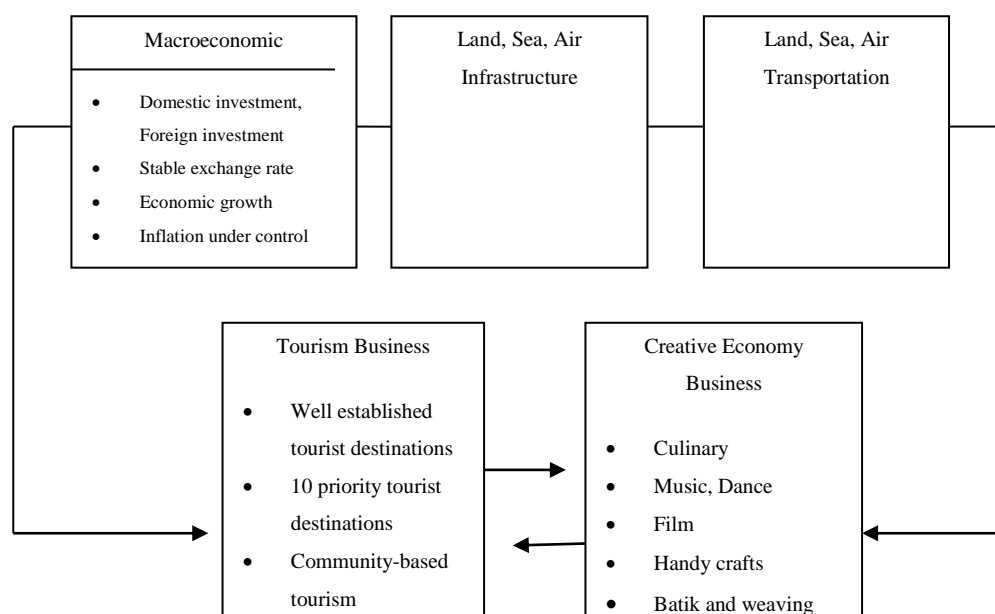
4	Bangsring, Banyuwangi, East Java	Underwater tourism with beautiful coral reefs
5	Gombongsari Village, Banyuwangi, East Java	Coffee gardens and goat “etawa” farm
6	Kemiren Tourism Village, Banyuwangi, East Java	Culture and tradition of Osing tribe
7	Mangunan Area, Bantul, Jogjakarta	Pine groves and orchards

Sumber: [6], Researchers, 2016.

The existence of tour operators in the network or online has a more personal choice and becomes the travelers’ choice. Online operators have proven their ability to popularize Kepulauan Seribu (Thousand Islands), Kilauan Beach, Pahawang, Raja Ampat, and other destinations that in the past they were not sold by large travel agencies. Tour packages promotion through the Internet has become the primary needs of prospective travelers in choosing destinations for vacation.

Banyuwangi regency government has a joint venture with PT. Telkomsel to promote tourism through both information technology and outdoor space marketing. In addition, there is also Android-based collaboration application to promote tourist destinations in Banyuwangi. It should have been realized that tourism promotion should be relevant to the market behavior, and the penetration of smart phones usage is expected to rise, especially for those using Android operating system in which the operating system is able to defeat the other systems.

The internet users in Indonesia today are approximately 75 million people, dominated by cell phone use. The market opportunity is targeted by Banyuwangi Regency Government to promote the tourism sector such as Ijen crater, Plengkung beach, Pulau Merah (Red Island), TELuk Hijau (the Green Bay), and Alas Purwo National Park. Banyuwangi is not only rich in natural tourism, but also the arts and culture. The continuous promotion of Banyuwangi tourism may boost the tourism-based creative industries, such as the sectors of cultural entertainment service, handicrafts, culinary, hospitality industry, and transportation service.



- Broad Band Technology 3G and 4G
- Android
- MICE
- Creativity and innovation of products

Figure 2. The Pattern of Business Development of Tourism and Creative Economy

Source: Researchers, 2016.

Various activities to promote tourism in Banyuwangi Regency, East Java province, can be held without the use of regional budget funds. The promotion is done by means of cooperation with third parties so that the regional budget funds can be used optimally for the development and maintenance of infrastructure, particularly in improving the quality of roads with the length of 300 kilometer per year. Banyuwangi tourism promotion is done by conventional media and social media, such as *Twitter*, *Facebook*, *Youtube*, *Path*, and *Instagram*.

For comparison and illustration, the authority of the State of Sarawak - Malaysia is able to optimize the potential of nature and could attract so many foreign tourists to witness the orangutan eating lunch at a place that has been provided by the manager. Some of the foreign tourists are Indonesian citizens who reside in South Kalimantan, Central Kalimantan, East Kalimantan, West Kalimantan, and North Kalimantan. In fact, Kalimantan is one of the endemic of orangutans. Unfortunately, they are gradually driven out of their habitat due to the expansion of plantations and deforestation making the orangutans get into people settlements. Some of them are killed or starve to death.

Visa-free visit, which has been granted gradually to 169 countries since 2015 still becomes the mainstay to attract foreign tourists to visit Indonesia. Visa-free provides convenience to tourists to visit Indonesia because it is free of US \$ 35 and free of complex documents. Visa-free can reduce one of complicated problems to travel abroad. It is worth to note that each foreign tourist coming to Indonesia will spend around US \$ 1,200 dollars and it is capable of producing approximately IDR 184 trillion, - or 11.5 percent of the Gross Domestic Product. For comparison, Singapore and Malaysia have implemented visa-free to more than 150 countries, and up to now there has been no problem in terms of foreign workers who abuse their tourist visa facilities due to the application of strict legal sanctions. Thus, there should be no conflict between the free-visa and illegal foreign labor.

Tourism in Indonesia will be more interesting for tourists when it is supported by creative economy, given that tourism and creative economy have great potential in improving public welfare and minimizing the regional and income gaps. Government and non-government agencies indeed need to play an active role, particularly in developing creativity, and innovation and in taming the market. Trade-off between culture and market has already been in debate for a long time, given that culture must be free of the "gravity" of the market, and on the other hand some people believe that culture cannot be separated from the market. So, observing the tendency or market demand should be considered by anyone in creating a cultural work.

Culture is basically something abstract, something which contains a cluster of ideas, or something which is always dynamic. However, culture should also be understood as the result of human effort in sustaining life, establishing continuity of descent, achieving prosperity, overcoming limitations, and so on. Culture actually has a very broad scope and is not limited to the arts. Culture includes art, religion, knowledge, technology, skill, and others. Thus tourism has a reciprocal relationship with the creative economy, and is expected to move hand in hand and create synergy among stakeholders.

5. Conclusion and Suggestion

The experiences of Banyuwangi Regency and Jember Regency can be used as a reference for other regencies in Indonesia to develop tourism and creative economy by cooperating with third parties without spending Regional Budget funds in their effort to attract tourists. This means that it is a strategy to encourage the region's development by optimizing the existing potentials and utilizing information technology as an effective promotional vehicle.

The initiative to offer cheap holiday packages from community groups in East Java, Central Java, Yogyakarta and West Java, especially in rural areas as tourist destination alternatives proved to be the results of the foresight of the public in making use of loopholes in the main destinations and increasing rural incomes.

The promotion of MICE (Meeting, Incentive, Convention, and Exhibition) needs to be improved because it can be an entry point for foreigners who visit Indonesia for business purposes, and generally do not come alone. The foreign businessmen are expected fill their time with shopping, visiting tourist objects (City Tour), and purchasing local creative products to be brought into their country.

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